

I am commenting as a consultant with over 30 years experience in this industry. I have advised very large Issuers as well as small to mid-cap companies. What I have found is Issuers of all sizes have a fairly consistent opinion regarding this topic; they are left out of the "loop". DTC's position does not take the Issuers or the shareholders perspective into consideration, only the "participants" (brokers and banks) are given a prominent voice or any voice at all. The topic is how immobilizing shares or keeping them in physical form effects short selling.

Short Selling not only harms a company's stock price, it can also create problems in shareholder voting. Even though there are controls to prohibit over voting, many beneficial shareholder votes could be hidden and lost among the voluminous discretionary over votes. Some transfer agents sometimes find that after tabulating shares for a company's proxy vote they have more shares reported voted by the brokers than there are shares outstanding. It begs the question, why are brokers reporting more shares than they hold? Furthermore, when a company attempts to research this problem, typically through ADP (another "participant") they find it becomes too expensive to find out who their shareholders are and why the numbers are wrong.

Last year, several companies tried to combat naked short selling by exiting DTC and leaving their shares in physical form. What they received for attempting to certificate their shares was a threat from DTC. Furthermore, DTC contacted the company's transfer agents with additional veiled threats. I find all of this rather amusing since I recall my days in the "cage" when DTC's position was to arbitrarily exit an issue from the Depository if the issuer didn't wire fed funds on the dividend payment date. Hypocritical, don't you think?

The rule should NOT be approved until further investigation is made. In its request, DTC states, "DTC has discussed the substance of this proposed rule change with various DTC participants and industry groups and has received favorable reaction." Did DTC request the Issuer's opinion or their shareholders? We also need to hear from the people and the companies that have been hurt the most, the small to mid cap Issuers and their shareholders, not just DTC and its participants.

Sincerely
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